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Improving the Affordability of Long-Term Care Insurance

The Problem:

- 70% of adults over the age of 65 develop severe long-term and support (LTSS) needs because of a condition like Alzheimer's.[1]
- About half of senior citizen households have insufficient financial assets to fund a home health aide for one year.[2]
- With Medicare not covering most long-term care services, many seniors would benefit from private long-term care (LTC) insurance.
- LTC premiums can be expensive.
  - Broadening the risk pool and increasing enrollment will help to drive down premiums, making LTC insurance more appealing.

The Solution:

- Allow retirement account dollars to be used to buy long-term care insurance so families can better plan for LTSS needs.
- The proposal would:
  - Allow individuals to withdraw funds from their 401K[3] and IRA accounts to pay for long-term care insurance without being subject to the 10% early withdrawal penalty tax.
  - Exclude the withdrawal from income tax to the extent it's used to pay for long-term care insurance, up to $2,000 annually per individual.
- This proposal would extend a similar benefit to long-term care insurance that is already available for life insurance.

[1] U.S. Department of Health and Human Services, https://aspe.hhs.gov/system/files/pdf/261036/LifetimeRisk.pdf
[2] 2019 Genworth Cost of Care Survey, 2016 Survey of Consumer Finances
[3] Also: 403(a), 403(b), 457(b)